

**U.S. POSTAL INSPECTION SERVICE**  
**ANNUAL REPORT**  
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# **UNITED STATES POSTAL INSPECTION SERVICE ANNUAL REPORT FY 2015**

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**Guy J. Cottrell**  
Chief Postal Inspector

It's all in the numbers. And the numbers from fiscal year 2015 (FY2015) are impressive. They show that once again, the 2,914 men and women of the U.S. Postal Inspection Service played a leading and indispensable role in the security of the U.S. Postal Service, its employees, and the U.S. Mail.

For more than two centuries, Americans have depended on the USPS to provide reliable service. Sadly, an unscrupulous minority uses the mail as a vehicle to perpetrate their crimes. Last year, the Inspection Service initiated almost 7,000 cases involving instances when the nation's postal laws were violated. We arrested more than 5,500 suspects, of which 5,069 were convicted. Inspectors respond to suspicious mail incidents nearly every day – more than 5,000 such responses in the last two years alone.

Finding and arresting scammers who use the mail to steal money from the USPS, financial institutions, or innocent Americans is another mission the Inspection Service takes seriously. Last year, the Inspection Service identified 35,000 counterfeit postal money orders with a face value of nearly \$34 million and another 4,200 counterfeit financial instruments (such as checks) with a face value of about \$6.4 million. Not one of these bogus documents reached its intended target.

Illegal lotteries that victimize postal customers from overseas are criminal schemes the Inspection Service works hard to combat. In 2015, we continued our initiative to educate Americans about illegal lotteries through our involvement in National Consumer Protection Week (NCPW). During NCPW, we reached a potential audience of 42 million with our media and outreach efforts.

Other customer-oriented initiatives last throughout the year. With the Consumer Alert News Network (CANN), we continued our ongoing relationship with TV stations in more than 100 markets, providing them with 144 professionally produced news stories warning viewers about illegal lotteries and other scams.

The resources we use to pay for CANN and other outreach services come from court-ordered forfeitures of assets seized from convicted criminals. In FY 2015 the Inspection Service collected forfeitures valued at nearly \$75 million. A portion of these funds also go to local law enforcement agencies that have helped us solve crimes. But the primary recipients are victims of fraud who recoup some or all the money they lost. In one fraud case, we reimbursed victims more than \$62 million.

Last year, the Inspection Service's forensic laboratory celebrated its 75th year of providing invaluable assistance in our criminal investigations. Our expert analysts painstakingly examine forensic evidence which helps lead to the arrests of criminals and the successful prosecution of their crimes.

Protecting Americans who use the mail is not our only job. As the Postal Service's Chief Safety Officer, I also am responsible for protecting USPS employees and facilities. Unfortunately, there were 566 cases of assaults and threats against postal employees in 2015. Inspectors arrested 211 people involved in these cases, of which 149 were convicted.

Each year, the Inspection Service continues to attract candidates who undergo a rigorous training program before joining their fellow Inspectors and Postal Police Officers. Last year, 69 new Inspectors and 56 Postal Police Officers successfully completed their training. The Inspection Service will also provide its employees with continuing education, mentoring, and leadership training to help them manage their careers.

Our 2015 Annual Report documents these and other achievements in more detail. I am proud of this record, and I look forward to leading the Inspection Service into the new year.



The U.S. Postal Inspection Service is the federal law enforcement, crime prevention, and security arm of the U.S. Postal Service. Founded by Benjamin Franklin, the Inspection Service is one of the nation's oldest federal law enforcement agencies.

The men and women of the Postal Inspection Service have a proud and successful record of identifying, arresting, and assisting in the prosecution of criminals who use the nation's postal system to defraud, endanger, or threaten Americans. Their mission is to maintain public confidence in the security and reliability of the U.S. Mail.

With the support of the Inspection Service,

- American businesses safely dispatch funds, securities, and information through the U.S. Mail.
- Postal customers entrust their correspondence to the mail.
- Postal employees work in a safe environment.

Postal Inspectors are federal law enforcement officers who carry firearms, make arrests, execute federal search warrants, and serve subpoenas. Stationed throughout the country, Inspectors enforce roughly 200 federal laws related to crimes that adversely affect or entail fraudulent use of the U.S. Mail, the postal system, postal employees, and customers. They work with U.S. Attorneys as well as federal, state, and local law enforcement agencies and local prosecutors to investigate cases and prepare them for court.

The Inspection Service also maintains a uniformed force of Postal Police Officers who are assigned to major postal facilities throughout the country. These officers provide perimeter security, escort high-value mail shipments, and perform other essential protective functions.

The Inspection Service's National Forensic Laboratory, staffed with forensic scientists and technical specialists, analyzes evidentiary material needed for identifying and tracing criminal suspects. The Laboratory also provides expert testimony for cases brought to trial.



## MEET OUR LEADERS

The Executive Committee (EC) of the U.S. Postal Inspection Service considers and sets the organizational direction of the agency. Committee members include the Chief Postal Inspector, the Deputy Chief Inspectors, the Inspector in Charge of the Office of Counsel and the Manager of Business Operations. They focus on all matters encompassing strategic planning, policy development, investment and risk of programs, workplace issues and succession planning. The EC serves as a liaison to the Postal Service's leadership team and other investigative and law enforcement agencies



**Teresa L. Thome**  
**Deputy Chief Inspector**  
**Eastern Field Operations**

Teresa Thome leads the Eastern Field Operations which includes the Career Development Unit. She began her service as an Inspector in the Los Angeles Division and advanced through Team Leader positions before serving as Assistant Inspector in Charge of the New York Division, and Inspector in Charge of the Philadelphia Division.



**Kevin M. Niland**  
**Deputy Chief Inspector**  
**Strategic Initiative**

Kevin Niland began his postal career as a substitute rural carrier in Kittery Point, ME. He became a Postal Inspector in 1995, when he joined the Washington Division. Since then, he has held a number of management and investigative positions across the country, including Inspector in Charge of the Boston Division.



**Keith E. Milke**  
**Deputy Chief Inspector**  
**Northern Field Operations**

Keith Milke leads our Northern Field Operation and its more than 850 employees. In 1987, he began his postal career as a letter carrier in Cheltenham, PA, and became a Postal Inspector in 1991. Since then he has held several leadership positions, including Inspector in Charge of Security and Crime Prevention, and Deputy Chief Inspector of Headquarters Operations.



**Maryann J. Rizzo**  
**Manager**  
**Business Operations**

Maryann J. Rizzo provides executive oversight of the Business Operations group, managing a team of professional, technical and administrative employees in the areas of finance, administrative services, human resources, medical programs and security clearance processing. Business Operations supports the recruitment and retention of our skilled workforce, strengthening our compliance and organizational capabilities.



**Gregory Campbell Jr.**  
**Deputy Chief Inspector**  
**Western Field Operations**

Greg Campbell manages seven Western Field Divisions. He is also Executive Liaison for our Talent Management Initiative. With more than two decades of law enforcement experience he has filled numerous posts, including Inspector in Charge of the Washington and Detroit Divisions, as well as Inspector in Charge of the Global Investigations Division.



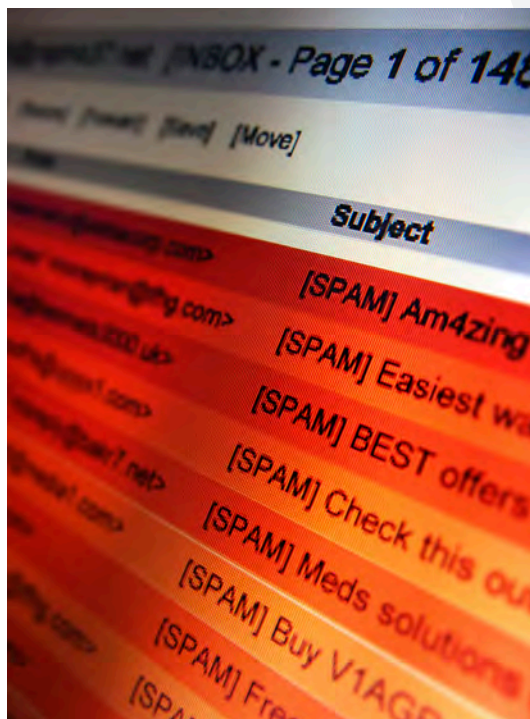
**Gary Barksdale**  
**Acting Deputy Chief Inspector**  
**Headquarters Operations**

During his tenure with the U.S. Postal Inspection Service, Gary Barksdale has conducted numerous criminal investigations and held several management positions, most recently Inspector in Charge of the Criminal Investigations Group, National Headquarters. In his current assignment, he is responsible for five functional areas and the development of national strategies to support and protect the United States Postal Service.



**Sandra L. Spector**  
**Inspector in Charge**  
**Office of Counsel**

Sandra Spector began her career in the New York Division. In 2004, she became an Inspector-Attorney and was later promoted to Chief Counsel. Her responsibilities include management of the activities of Inspector-Attorneys.



The Mail Fraud Statute, enacted in 1872, is the nation's oldest consumer protection law. It is the government's most effective defense against criminals who conduct fraudulent schemes involving the U.S. Mail. Postal Inspectors vigorously pursue criminals who violate this statute in all its forms — from Ponzi schemes to newer scams that use the Internet, telephone, and U.S. Mail.

Users of the U.S. Mail must also comply with the Deceptive Mail Prevention and Enforcement Act, which grants the Postal Service subpoena powers to obtain records. This statute authorizes administrative hearings to determine the legality of mailings suspected of violating the law.

Postal Inspectors protect customers by enforcing this act and submitting requests to the USPS Judicial Officer for subpoenas or withholding mail orders as needed.

Under the provisions of this act, the USPS can intercept delivery of mail to the violator and return it to the sender. The Postal Service may also impose civil penalties on violators.

## CROSS-BORDER PARTNERSHIPS

Through its Mail Fraud Program, the Postal Inspection Service continued in FY 2015 to participate in eight cross-border partnerships with the governments of Canada and Jamaica. With its partners, the Postal Inspection Service has developed a prevention effort to protect American consumers from mass marketing mail fraud.

The partners continue to work complex mail fraud investigations with a strong mail nexus, significant dollar losses, and high numbers of victims. In FY 2015, the Inspection Service opened 62 new cases involving more than 3,000 victims who collectively suffered losses totaling \$12.5 million.

## FORMER ATTORNEY JAILED FOR DEBT SETTLEMENT FRAUD

Richard Brennan, a one-time attorney practicing law in Montgomery County, MD, came to the attention of authorities for his questionable debt management and settlement services. Operating through a nationwide

network of telemarketers, his firms attracted victims — as many as 250 over a three-year period — who were persuaded that their debt problems could be resolved if they retained his services.

Instead, Brennan's firms defrauded his clients through a series of unfair and deceptive trade practices, such as holding themselves out as not-for-profit entities, when they were for-profit companies, and operating under different names to disguise their ownership. Brennan also convinced clients to accept debt-management resolutions that made money for him, but were not in their best interests. And he often used revenue from his victims — not to reduce their debt, but to pay for his business operations and underwrite a lavish personal lifestyle.

During the course of Brennan's conspiracy, authorities said he defrauded debt clients of more than \$6.3 million. His indictment also charged he filed false tax returns and illegally purchased and possessed firearms.



In May 2015, Brennan pleaded guilty to two counts of mail fraud and to making a false statement on a tax return.

In September 2015, Brennan was sentenced to 42 months in federal prison, three years supervised release, and 200 hours of community service. He has been stripped of his license to practice law. The court also ordered Brennan to pay a \$150,000 fine, \$2.9 million in restitution to his victims, and more than \$297,000 to the Internal Revenue Service.

### **FINANCIAL ADVISOR ENRICHED HIMSELF AT THE EXPENSE OF HIS CLIENTS**

In 2013, James Tagliaferri was an unregistered security broker living in the U.S. Virgin Islands who advised numerous elderly clients on their retirement accounts.

At first, Tagliaferri's investment advice was limited to low-risk, blue chip stocks. But over time, Tagliaferri began to advise his clients to invest their money in high-risk, illiquid companies, from which he received commissions he failed to disclose. Tagliaferri used the U.S. Mail to send his clients statements that also failed to disclose the commissions.

One of the companies which paid Tagliaferri undisclosed commissions was International Equine Acquisition Holdings (IEAH). The company's chief financial officer said the money his company paid to Tagliaferri was for "investment banking fees," even though it was not classified as such in Tagliaferri's post-dated invoices. Information from these interviews was included in Tagliaferri's indictment.

Postal Inspectors arrested Tagliaferri at his residence in St. Thomas, USVI, in February 2013.

In July 2014, a federal jury convicted Tagliaferri on one count of investment adviser fraud, six counts of violating the Travel Act, one count of securities fraud, and four counts of wire fraud. He was sentenced to six years in prison and three years of supervised release. He was also ordered to forfeit \$2.5 million and to pay nearly \$21 million in restitution.

Tagliaferri's illegal activities cost 153 of his clients more than \$114 million.





An important element of the Postal Inspection Service's prevention efforts is informing and educating consumers about fraud schemes involving the mail.

This undertaking includes our leadership and participation in task forces consisting of other government and law enforcement agencies, as well as representatives from trade and consumer groups and the mailing industry. Our involvement with these groups has resulted in proactive and successful strategies to safeguard the mail and postal customers.

Our experienced public information professionals also provide support and assistance to postal customers who may be the victims of criminal activity using the mail. They regularly communicate with the media and consumer groups to inform them about crime trends and deliver messages to targeted groups about specific schemes.



## NATIONAL CONSUMER PROTECTION WEEK

In 1998, the federal government and several advocacy groups established National Consumer Protection Week (NCPW) — an event that encourages people and businesses to learn more about avoiding scams and understand their consumer rights.

The Federal Trade Commission leads NCPW. The Postal Inspection Service and USPS have participated in NCPW since 1998. The Inspection Service is a member of the organization's Steering Committee.

During the 2015 NCPW (held March 1-7), the Inspection Service improved awareness of illegal lotteries with resources themed around the caveat, "In a sweepstakes, you will lose if you pay to play."

In its educational outreach, the Inspection Service cautioned some sweepstakes require customers to pay fees or suggest customers can improve their chances of winning if they purchase merchandise. Inspectors warned such practices are illegal — "DON'T DO IT!"

To help promote the 2015 theme, the USPS, the Inspection Service, and their partners provided free resources to help people steer clear of frauds and scams. The partners provided brochures, speeches, and press releases for area and district postal managers who conducted press conferences and hosted consumer-oriented events at Post Offices, shopping malls, and other venues.

Using taped commercials, media releases, public service announcements, radio interviews, and access to its websites, the Inspection Service reached an estimated audience of 42 million Americans.

## CONSUMER ALERT NEWS NETWORK

During 2015, the Inspection Service continued its fraud-prevention outreach to postal customers with the Consumer Alert News Network (CANN).

This campaign, now in its third year, distributes video segments to the news department of local television stations. During each segment, Inspectors — and sometimes victims themselves — discuss ongoing scams, how criminals find their targets, and the consequences of these crimes. With titles such as "Baby Boomer Bank Blunders" and "Lottery Home Invasion," the videos are designed to publicize and warn against recent cons.







The impact of fraud and financial crimes can be devastating. Victims are often underserved, due to underreporting. The complexities of investigations and prosecutions can make it difficult to navigate the criminal justice system.

The Inspection Service works with victims of crime involving the mail, advising them of their rights and the services available to them. Inspection Service staff regularly contacts victims, offering support and guidance.

With this outreach, victims feel more comfortable in an unfamiliar system. This support also has a significant impact on the confidence of victims in the criminal justice system.

### **NATIONAL CRIME VICTIMS' RIGHTS WEEK**

For the tenth year in a row, the Inspection Service participated in the National Crime Victims' Rights Week (NCVRW), held in April 2015. General analysts helped distribute NCVRW materials to all divisions. Post Offices displayed NCVRW posters and offered educational literature to millions of its customers. Inspectors and general analysts organized informational meetings, participated in NCVRW community events, and visited local Post Offices and community centers around the country to raise awareness of NCVRW.

### **OVC VICTIM SERVICE AWARD**

During the April 2015 Office for Victims of Crime (OVC) Victim Service Award ceremony, the Inspection Service — jointly with the U.S. Attorney's Office for the Middle District of Pennsylvania and the Department of Justice — received the 2015 Crime Victims Financial Restoration Award.

This award recognized Inspectors and analysts from the Philadelphia Division, Harrisburg Domicile, whose innovative approach helped secure financial restoration for victims in a fraud case. Former Attorney General Eric Holder, Assistant Attorney General Karol V. Mason, and OVC Director Joye E. Frost presented the award. They noted the Inspection Service's accomplishments in identifying and contacting more than 60,000 potential victims. The Better Business Bureau, the Federal Trade Commission, and the media were asked to help inform victims of their right to claim a financial loss.

As of March 2015, \$62.2 million had been returned to 22,377 victims or their families.



## SOFTENING THE BLOW OF MAIL THEFT

Mail theft at the Hanover Airpark in Ashland, VA, has been an ongoing problem. Inspectors know that gangs steal business checks, counterfeit or alter them, and then cash them.

A General Analyst of the Washington Division, Richmond Field Office, has helped stem theft losses through her personal work with victims. On a regular basis, she speaks with victim businesses, banks, and local law enforcement to track theft incidents.

Business owners have quickly learned they can contact her directly to report their losses. She advises them of their rights, gives them tips on how to prevent mail theft, and helps them keep their banking information secure. She also assists Inspectors, linking victims to the responsible gang and successfully tracking more than 300 theft victims who collectively lost \$500,000.

She also created and distributed mail theft awareness notices as a part of a prevention campaign for area businesses and worked with each victim business to help them convert to National Collection Box Units.

## ONE INSPECTOR'S COMPASSION

During a four-year period, an Inspector of the Boston Division interviewed 112 patients or their survivors in a case involving a particularly heinous crime.

Joseph Caramadre and co-conspirator Raymour Radhakrishnan sent mail to terminally ill AIDS patients offering them life insurance policies. But their intent was to steal the personal information of dying patients so they could buy "death-put" bonds in their victims' names, without their knowledge or consent, and collect substantial amounts of money when they died. Dozens of patients and their family members responded to the pair's mail solicitation.

The suspects received prison sentences. They also were ordered to pay \$46.3 million restitution, and were required to perform 3,000 hours of community service for the elderly and terminally ill.

Beyond seeking justice for the crimes of the defendants, the Inspector's dealings with victims, their families, and caregivers reflects the support and compassion Inspectors bring to the job.





The funds collected through asset forfeitures include ill-gotten gains from mail fraud, drug trafficking, money laundering, mail theft, and other financial investigations. The Inspection Service has successfully managed millions in forfeiture assets while adhering to applicable laws and due process.

## DETERRENT TO CRIME

Asset forfeiture is a powerful deterrent to crime, by making it less profitable. Law enforcement agencies use this tool to seize the proceeds or assets criminals collect as a result of their illegal activities.

In FY 2015, the Inspection Service seized 2,373 assets valued at more than \$74 million. In the same time frame, the Inspection Service's Asset Forfeiture Unit (AFU) reduced overdue petitions by more than 600 percent, more than offsetting a 68 percent increase in the number of forfeitures over the previous fiscal year.

## MONEY BACK TO VICTIMS

Forfeitures help victims of crime by providing a means for them to recover their assets. MoneyGram agreed to an uncontested forfeiture of \$100 million – the largest administrative forfeiture in history.

The company admitted that corrupt MoneyGram agents had engaged in frauds, including a scheme in which callers pretended to be the victim's grandchild requesting money. Another scam required payment of fees before victims could receive purported lottery winnings. As of March 2015, Postal Inspectors and the AFU, working with the Department of Justice, were able to return \$62.2 million to more than 22,000 victims — full compensation for their losses.

## FUNDING INVESTIGATIVE PROGRAMS

Funds seized from criminals are also used to help cover the administrative costs of processing the forfeiture (storage, maintenance, etc.) and to offset the costs of the investigations that result in forfeiture orders.

With the Forfeiture Equitable Sharing Program, forfeiture funds provide financial assistance to agencies that work closely with the Postal Inspection Service.

For example, interdiction of narcotics in the mail relies extensively on local police canine units. The AFU transferred more than \$10 million to the Inspection Service's law enforcement partners.

Forfeited assets have helped fund initiatives launched by the Inspection Service and other law enforcement agencies. They include the Cross-Border Fraud Teams, Project JOLT (Jamaican Operations Linked to Telemarketing), and other national narcotic interdictions. Forfeiture funds also supplement the Inspection Service's training efforts.

### **FUNDING EDUCATIONAL PROGRAMS**

Funds from asset forfeitures help the Inspection Service pay for educational media such as the Consumer Alert News Network (CANN).

In 2015, the Inspection Service distributed 144 taped interviews to TV stations in more than 100 markets — an effective means of warning the public about illegal lotteries and other scams.





In FY 2015, the Postal Service processed 155.4 billion letters and parcels and delivered them to more than 154 million addresses in every state, city, and town in the country. The Inspection Service provided security for these mailpieces from their entry into the postal network to their destinations.

Mail delivery – on time and intact – is a service that Americans have every right to expect. Federal law forbids the tampering of the mail; only the person to whom a mailpiece is addressed can open it. Postal Inspectors have investigative jurisdiction in cases where mail delivery is interrupted by theft, riffling, obstruction, or destruction.

The USPS has been recognized as the most trusted federal agency, due in no small part to the security of the mail. Customers trust the Postal Service with jewelry and sensitive financial information. Through its enforcement measures and educational programs, the Inspection Service is thwarting crime and keeping the mail safe and secure.

## MAIL THEFT ANALYTICS PROGRAM

The Mail Theft Analytics Program (MTAP) reviews, tracks, and refers actionable mail theft complaints.

During FY 2015, MTAP analysts received almost 97,000 customer complaints regarding attempts to steal mail. These complaints came from USPS call centers, online forums, and the 17 Inspection Service divisions.

Analysts referred 2,936 investigative leads directly to the divisions. These leads included actionable information such as video, an eyewitness account, or the description or tag number of a vehicle used to steal mail. Also of use:

information on stolen, altered, or cashed checks or financial instruments; reports concerning credit cards or gift cards stolen in the mail; information regarding the tampering of blue collection boxes and neighborhood cluster boxes.

In addition, analysts reviewed 304,693 complaints from major mailers and the USPS National Change of Address database, and winnowed that list down to 70 complaints that were referred to the divisions for further investigation. Of these referrals, 38 provided new information for ongoing investigations and two new cases were opened.



## STOLEN IDENTITY REFUND FRAUD

The Inspection Service's nationwide investigation of tax refund fraud, defined by the U.S. Attorney's Office and the Internal Revenue Service (IRS) as "stolen identity refund fraud" (SIRF), continues to target suspects who steal identities to file fraudulent tax returns and receive refunds through the mail.

In the District of Columbia, Inspectors investigated a bank employee who processed nearly \$1.1 million in fraudulently obtained federal income tax refunds. She was a member of a ring of more than 130 identity thieves. The people whose identities were stolen included the elderly, residents of assisted living facilities, drug addicts, and prisoners.

The suspect, a 25-year bank employee, helped members of the ring by opening business accounts and entering false identities. After the accounts were opened, she processed the deposits of fraudulent refunds and withdrawals.

The bank employee was convicted and sentenced in January 2015 to more than seven years in prison. This investigation resulted in 24 federal arrests. By the end of FY 2015, the courts had convicted eight more defendants and handed down sentences.

## OPERATION HOMELESS

During 2015, the Inspection Service continued its enforcement initiative against business mail theft.

Organized mail theft gangs in several states were stealing mail containing bank information and using the information to create counterfeit checks. The gangs then recruited homeless transients with valid identification to cash them, causing millions of dollars in bank losses.

Inspectors and police departments from the Kansas City and Atlanta areas focused on a loosely knit gang of individuals who already had cost banks in Kansas City almost \$1 million in losses. Gang members had specific roles: thieves who stole business mail, printers who fabricated the fake checks, counterfeiters who altered the checks, recruiters of homeless individuals who cashed the checks, and drivers who transported recruiters and their homeless conscripts.

The Kansas City case resulted in 45 federal and state arrests, 40 convictions, and sentences ranging from probation to more than 10 years in federal prison.





Postal Inspectors are trained on how to detect dangerous mail that would harm or threaten customers. Inspectors respond to suspicious mail incidents nearly every day — more than 5,000 in the last two years alone.

Of these, approximately 30 are fireworks-related incidents involving mailboxes. Even though it is legal to purchase and use fireworks in some states, placing them inside a confined space such as a mailbox is dangerous.

In 2015, only one incident involved an explosive device placed in a mail receptacle. In the past decade, no one has died due to explosions in the mail.

Inspectors in the Dangerous Mail Investigations program receive comprehensive hazmat training. An initial 40-hour class gives Inspectors a foundation in chemistry and familiarizes them with the biohazard response protocols and hazmat protective equipment. Another 70-hour class educates Inspectors about evidence recovery procedures and how to identify substances leaking from packages in the mailstream.

The Improvised Explosive Device Recognition and Response Course trains Inspectors to recognize the components of a mail bomb device using portable X-ray and trace detection equipment.

## MAIL SCREENING EXPERTS

In 2015, Postal Inspectors assisted state, local, and federal agencies at eight venues the Department of Homeland Security classified as national special security events. Inspectors screened more than 29,000 items mailed or sent via private couriers to these events.

In September 2015, Philadelphia Inspectors screened mail in connection with the historic U.S. visit of Pope Francis and the World Meeting of Families.

## RICIN IN LETTERS

In December 2014, an undercover FBI investigation identified a man attempting to purchase ricin through the dark web. The man requested the order be shipped to a rented mailbox in New York. After Inspectors identified Cheng Le as the renter, they helped deliver a U.S. Mail parcel containing an inert, ricin-like material to the mailbox. Le was arrested after he retrieved the parcel and returned to his apartment. Inspectors executed a search warrant at the apartment and seized additional incriminating evidence. In August 2015, a jury convicted Le of three federal charges. He is currently awaiting sentencing.







The Inspection Service narcotics program protects postal employees from the dangers of handling packages containing illegal narcotics or revenue associated with the sale of drugs. Inspectors implement this strategy by targeting members of drug rings who use the mail to illegally traffic their products.

During FY 2015, the Inspection Service initiated 2,560 cases involving drug trafficking and made 1,898 arrests. From these cases, 1,785 criminals were convicted of the charges brought against them. Inspectors seized illegal assets valued at approximately \$25 million. The Inspection Service also seized more than 34,000 pounds of marijuana and 1,100 pounds of cocaine.

During 2015, the Inspection Service refined and tested a new strategy that more clearly focuses resources on investigating drug trafficking organizations, protecting employees, and developing a national strategy to remove drugs from the mailstream at the earliest point possible. This new strategy will be fully deployed in 2016.





## DRUG ARRESTS IN PHILLY

Inspectors in Philadelphia identified three suspicious Priority Mail parcels mailed from Los Angeles. A search of the package contents initiated after the Inspectors obtained federal search warrants revealed 160 ounces of PCP (approximately 4.7 kilograms).

Inspectors arranged deliveries for the three parcels that led to the arrests of four individuals for conspiracy to possess PCP. Information developed after these arrests led to the identification of the mailer in Los Angeles and another co-conspirator. The investigation resulted in the arrest of the criminals, as well as the recovery of additional PCP and evidence of prior mailings.

By the end of September 2015, all defendants pleaded guilty in federal court and were awaiting sentencing.

## FOILING THE DARK WEB

Inspectors from the Newark Division initiated a high-profile, complex investigation of cocaine and methylene distribution using underground black market sites such as Pandora and BlueSky.

Over a 10-month period, Inspectors identified more than 2,000 Priority Mail and Priority Mail Express envelopes, mailed domestically and internationally, containing the drugs. With DEA special agents, the Inspectors conducted extensive surveillance and employed a variety of electronic surveillance devices to identify the black market distributors.

Inspectors eventually arrested Frank Venezia, a key distributor, and charged him with violations of federal narcotics and child pornography laws. Individuals in Kazakhstan and Australia were also arrested. Venezia, a two-time drug distribution recidivist, pleaded guilty in September 2015 to narcotics distribution and child pornography charges.

## STERIODS IN FORT WORTH

As Fort Worth Division Postal Inspectors watched, Michael Ambrose mailed parcels containing anabolic steroids and human growth hormone at a local Post Office. After they executed a search warrant at Ambrose's residence, they uncovered 1,300 vials of injectable steroids, 23,000 doses of oral steroids pills, 4,800 milligrams of bulk liquid steroids, and three kilograms of powder steroids. They also found empty bottles and vials with labels, a capsule machine, and bags of empty capsule bodies and caps.

Ambrose cooperated with Inspectors and also implicated his suppliers, Edward Davis and Charles McConnell. The three defendants pleaded guilty to one count of conspiracy to distribute a controlled substance. Ambrose was sentenced to 30 months. Davis was sentenced to time served (three months) plus 180 days of home confinement. McConnell was sentenced to 42 months imprisonment.





The use of the mail to transmit materials that exploit children debases the integrity of the postal system and further endangers their safety and well-being. The Inspection Service assigns specially trained Inspectors to investigate incidents when the mail is used for this purpose.

In 2015, the Inspection Service initiated 82 investigations of instances when individuals were suspected of using the mail to exploit children. Inspectors arrested 64 suspects in these cases. Eighty-eight were convicted of the charges brought against them.



## ILLEGAL CLOUD STORAGE

In November 2014, Inspectors executed a federal search warrant at the Michigan residence of Gabriel McCormick. Authorities had earlier identified McCormick through the Inspection Service's special operation to identify and arrest criminals who use the mail to exploit children.

Forensic examination of the digital evidence seized from McCormick's residence revealed 10 videos and more than 2,500 child exploitation images.

McCormick had previously ordered a DVD that was delivered by mail. During the execution of the search warrant, Inspectors found the DVD in McCormick's bedroom. Further investigation revealed McCormick as the account owner of more than 50 photographs uploaded to online storage accounts.

On July 27, 2015, McCormick pleaded guilty to three counts of possession of child sexually abusive materials and one count of use of a computer to commit a crime. He was sentenced to up to four years on the child exploitation counts and up to seven years on the illegal use of a computer count.

## FORMER TEACHER CONVICTED

In September 2015, Josh Wairi was sentenced to 12 years in prison and eight years of supervised release after he was convicted of child exploitation and possession of child exploitation materials.

Wairi, a former elementary school teacher, used his e-mail account and the mail to trade and receive images and videos of child exploitation. He also transported and uploaded images and videos of children. At the time of his arrest, he possessed more than 27,000 images and 530 videos of children engaged in exploitative activities.







The Chief Postal Inspector has dual responsibilities: he directs the operations of the Inspection Service and, as the Postal Service's Chief Security Officer, he is responsible for the safety and security of Postal Service employees.

The Inspection Service works to reduce the risk of violence or harm in the postal workplace, especially during a time when the USPS is closing facilities and transferring operations and employees to other locations. Its "Safe and Secure" initiative, launched in 2013, continues to focus on education and prevention as the best means to prevent workplace violence.

In 2015, there were 566 cases of assaults and threats against employees. Inspectors arrested 211 people, of which 149 were convicted.

## JUSTICE FOR TRUCK DRIVER

In December 2013, two men shot a highway contract route driver during a robbery on the dock of the Conley, GA Post Office. The thieves stole the truck and remittances, leaving the driver bound and suffering from a gunshot wound.

During the investigation, Inspectors identified an employee who shared information with the robbers on the transportation process the handling of remittances — including the location of the security box in the truck — and the Conley route. The employee was arrested and sentenced to 15 years.

Based on further investigation, Inspectors arrested two suspects. In 2014, the two men were convicted on several

counts. In 2015, Kendrick Watkins was sentenced to 18 years and four months of confinement in federal prison, followed by three years of supervised release. Watkins also received a sentence of 100 months for armed postal robbery and 120 months for a count of discharging a firearm during a crime of violence.

The second defendant, Charles Jackson, received a sentence of 19 years in federal prison, followed by three years of supervised release. Jackson also received 108 months for one count of armed postal robbery and 120 months for discharge of a firearm during a crime of violence.

Watkins and Jackson were also ordered to pay \$14,888 restitution to the USPS.



## RESTITUTION FOR MAIL CARRIER

In December 2013, a Dorchester Center, MA, city carrier was accosted inside his postal vehicle. During the struggle, the assailant shot him in the wrist with a small caliber firearm. After failing to steal any of the mail in the vehicle, the assailant and an accomplice escaped in a U-Haul truck. The carrier called for help and was transported to the hospital for treatment of his injuries.

Authorities later found a U-Haul truck with a passenger matching the description of the assailant involved in the robbery. The two passengers in the vehicle were detained for questioning and later released.

The truck was impounded, pending a federal warrant to search it. Inspectors found evidence, including blood, on and inside the truck.

In January 2014, Inspectors arrested Maurice Miner-Gittens at his mother's residence. He was charged in a criminal complaint with conspiracy, kidnapping, and assaulting a federal employee. Days later, Inspectors and Boston police officers arrested Keyon Taylor and charged him with conspiracy, kidnapping, and assaulting a federal employee.

In June 2015, Miner-Gittens pleaded guilty to conspiracy, robbery of a postal worker and use of a firearm during the robbery. He received a 10-year sentence for his role as the getaway driver in the botched robbery.

A jury found Taylor guilty of the charges against him. He was sentenced to 355 months in federal prison followed by five years of supervised release.

The court ordered Taylor and Miner-Gittens to pay \$625,000 in restitution to the carrier for lost wages and damages. At the time of the shooting and robbery, he was working overtime to support his family. He has since returned to work on a limited schedule and continues to suffer physically from the assault.





The Chief Postal Inspector — acting in his role as the Postal Service’s Chief Security Officer — is responsible for the physical protection of postal facilities and assets as well as personnel.

Inspectors and Postal Police Officers work tirelessly to ensure the safety of nearly 500,000 employees and 36,000 postal facilities. To help accomplish this mission, the Inspection Service conducts annual risk assessments to make sure security controls that meet its standards are in place.

The Inspection Service has implemented the Vulnerability Risk Assessment Tool (VRAT), a comprehensive, risk-based model that identifies security deficiencies. Threats may be natural, accidental, or intentional.

VRAT is based on CAP (crimes against persons and property) scores, considered by security professionals to be the most accurate predictors of loss, risk, and vulnerability to crime. Using this index, Inspectors can forecast crime trends based on the previous year’s activity and implement appropriate security measures.

The Inspection Service also is charged with overseeing transportation security. According to federal law, anyone who knowingly mails items that endanger life, health, or property is subject to criminal or civil penalties. With representatives from the U.S. Department of Homeland Security, Inspectors investigate shipments of dangerous goods through the U.S. Mail. This enforcement ability helps protect employees and customers from potential hazards.

## HAZARDOUS MATERIAL SPILL

In 2015, a package in the mailstream that contained sulfuric acid burst inside a USPS facility, injuring an employee who required emergency care. Operations at several other postal facilities were affected during the cleanup of the hazardous material.

The Inspection Service aggressively investigated this incident. It successfully used its civil enforcement authority to recoup damages from the mailer of the sulfuric acid.







The Postal Service receives no tax dollars from Congress. Instead, it relies on revenues collected from customers to fund its operations. Making sure the USPS collects all the money it is owed is crucial.

Incidents of counterfeit or short-paid postage constitute 65 percent of the leads the Inspection Service investigates. Customers who attempt to mail letters and packages at less-than-required rates harm the Postal Service and the quality of service it provides for all of its customers.

When internal controls fail, or dishonest mailers try to circumvent the system, Inspectors conduct investigations to identify postage shortfalls, improper or fraudulent mailings, and related issues. In these cases, criminal charges, civil sanctions, and deficiency assessments are levied, as appropriate.





## FAKE POSTAGE DOCUMENTATION UNCOVERED

An Inspection Service investigation revealed employees at Precision Solutions, Inc. (PSI) used more than 75 altered mailing forms for drop shipments which the USPS had previously verified for non-related mailings. As a result, PSI knowingly submitted more than 8,860 trays of mail without paying postage.

Following the investigation and the issuing of an indictment, Michael Scudder of PSI pleaded guilty to one count of Mail Fraud. In May 2015, Scudder was sentenced to one year of prison and three years probation, and was ordered to pay over \$1.6 million restitution.

## DUPLICATE POSTAGE WAS THE WRONG CALL

An investigation into significant instances of duplicate postage found on numerous parcels shipped by D&R Wholesale (also known as “TheCellShop.net”) led to convictions of the owners and restitution of almost \$375,000 to the Postal Service.

The investigation began in 2010, when Inspectors began documenting instances when D&R Wholesale submitted parcels at the Thousand Oaks, CA, Post Office with duplicate postage for shipping.

Documentation of just six shipments totaled almost \$14,000 in lost revenue, sufficient to request a search warrant to examine the company’s premises and records. Among the evidence seized during the search were counterfeit postage labels and business computers.

In August 2015, the company’s co-owners were sentenced after they pleaded guilty to several counts of violating federal criminal laws, including counterfeiting and forgery. Daniel Rackow received 12 months incarceration. His brother, David Rackow, was sentenced to eight months in prison. Both defendants also were sentenced to three years of supervised release and ordered to pay nearly \$374,000 in restitution to the USPS.

## MTE RECOVERY

Theft or misappropriation of Mail Transport Equipment (MTE) by postal customers cost the Postal Service \$130 million in FY 2013. To reduce these losses, the USPS and the Inspection Service launched the Mail Transport Equipment Recovery Program.

The objectives of the program are to prevent MTE misuse by:

- Conducting educational campaigns to raise awareness among postal employees and customers about MTE security issues
- Increasing collaboration and information-sharing between the USPS, its business partners, and other law enforcement agencies
- Ensuring compliance with applicable security regulations, policies, and procedures
- Enforcing criminal laws and civil statutes

In FY 2015, the Inspection Service helped recover MTE worth more than \$4.1 million, including the recovery of 24,180 plastic pallets worth almost \$500,000.





## U.S. - CUBA MAIL SERVICE

The USPS and the postal administration of Cuba are preparing to reinstate mail service between the two nations.

Postal Inspectors are playing an important role in this historic development, serving as security consultants in technical meetings and conducting security reviews at the proposed air carrier facilities in Miami, FL. These reviews are intended to confirm compliance with Universal Postal Union (UPU) security standards covering physical and screening security measures.

When mail service resumes, a Postal Inspector will accompany the first mail flight from the U.S. to Cuba to assure its proper delivery to the Cuban postal authority at Havana's airport and to conduct additional security reviews.

## A MODEL FOR REGIONAL SECURITY

The Inspection Service's efforts with the world's postal administrations contribute to the protection of international mail and the safe exchange of mail around the globe.

The Inspection Service works closely with postal administrations, law enforcement partners, and other organizations — including airlines and customs agencies — to ensure the safety of international mail. In support of UPU's security mission, the Inspection Service is improving international security at the regional level with a strategy that increases expertise and promotes cooperation.

Regional postal unions promote cooperation within a specified group of nations. As the security consultant for the Postal Union of the Americas, Spain, and Portugal (PUASP) and the Caribbean Postal Union (CPU), the Inspection Service used a certification process to help two postal administrations from these regions meet UPU security standards.

Postal administrations in other parts of the world can use this certification process as a model. It involves training workshops and online training modules, support groups where security personnel regularly network, identification of security experts in the region, and communication and information exchanges with a shared intranet-based workspace hosted by UPU.

## IMPROVING MILITARY MAIL SERVICE

Following an increase in lost or stolen mailpieces sent to members of the U.S. armed services, the Inspection Service created a task force comprised of: the Department of State; the Military Postal Service Agency; the Joint Military Mail Postal Activity; USPS headquarters, area, and district management; the Inspection Service's Chicago Division; and the USPS Office of Inspector General. The task force worked at the Chicago International Service Center, where military mail operations are centered. Its solutions included installation of signage, additional cameras, more contract guards, internal crime investigations, training for local postal management, improvements in the background checks of holiday casual employees, and security sweep operations.

## INTERNATIONAL SERVICE CENTER INTERDICTION ACTIVITIES

When the Inspection Service seizes illegal items in the international mail stream, it protects USPS revenue and its brand and safeguards customers from criminal schemes.

Screeners at the Postal Service's five International Service Centers (ISCs) protect revenue by removing parcels bearing counterfeit postage from the international mail stream. In FY 2015, screeners identified more than 12,000 mail pieces bearing \$875,000 in counterfeit postage.

The postal brand also suffers harm when criminals circulate counterfeit postal money orders. The Inspection Service's prevention and investigative efforts benefit consumers and help maintain the public's trust in the reliability of the USPS. In FY 2015, the Inspection Service identified 35,000 counterfeit postal money orders with a face value of nearly \$34 million and another 4,200 counterfeit financial instruments (such as checks) with a face value of approximately \$6.4 million.

Foreign lotteries are illegal in the U.S., but that doesn't stop criminals from attempting to mail solicitations to Americans. Last year the Inspection Service, using legal processes, seized roughly 1.3 million pieces of illegal lottery mail. These mailings contained about 163,000 counterfeit checks with a face value of nearly \$17.7 billion.

The mailings used 9,000 different scams aimed at the American public. Approximately 1,138 Canadian telephone numbers used for fraudulent solicitations were terminated as a result of these lottery interdiction efforts.

## **EXPORT COMPLIANCE**

Export laws protect U.S. national security, reinforce foreign policy, and safeguard economic interests. Preventing mail from violating federal export law is a responsibility the Inspection Service takes seriously. Postal customers are responsible for complying with export laws, but the Inspection Service reviews the mail to ensure customer compliance.

When customers fail to observe requirements for sending mail to international destinations, the International Mail Security Export Screening program detects these violations. In FY 2015, the Inspection Service electronically examined approximately 330,000 customs declaration forms on packages. Of those, nearly 23,000 were returned to mailers who failed to meet federal requirements for sending international mail. These customers also received educational materials explaining how to comply with the law and the proper preparation of international mail items.

## **CYBER PROTECTION IN THE WORLD WIDE WEB**

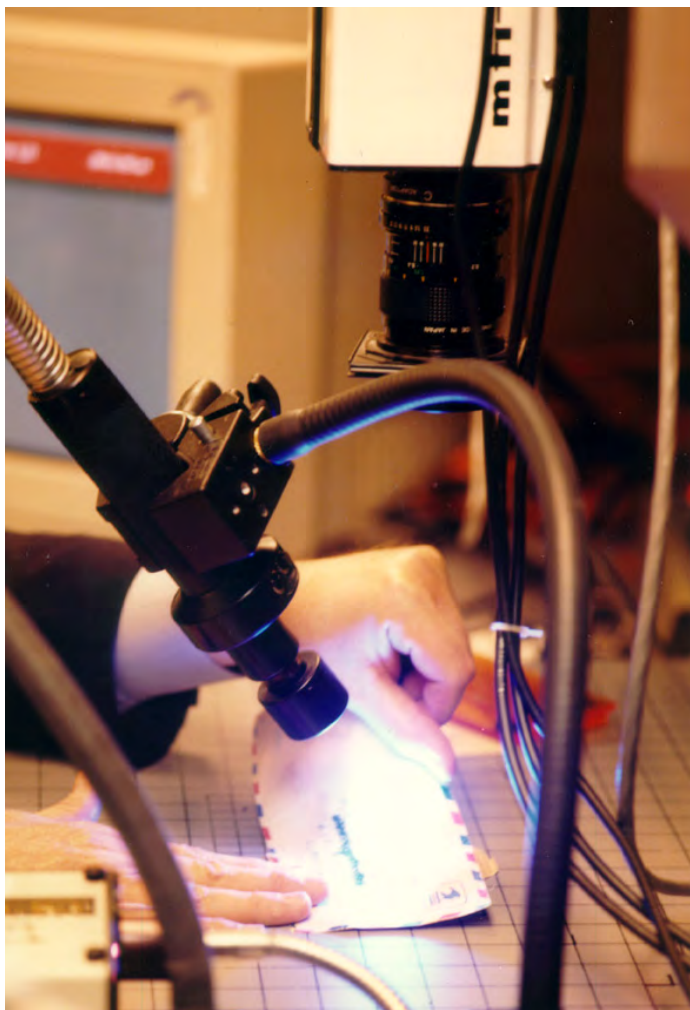
During 2015, postal customers continued to receive fraudulent e-mails about package deliveries or online postage charges. The e-mails, which falsely claim to be from the USPS, also contain a link or attachment that, when opened, installs a malicious virus designed to steal the customer's personal information.

The Cyber Investigations group monitors and improves USPS e-mail authentication policies to combat this brand abuse and e-mail spam phishing. The Inspection Service, with USPS Information Technology staff and the Corporate Information Security Office, has strengthened the Postal Service's e-mail authentication policies, to reject non-authorized e-mail messages from the usps.com and usps.gov domains.

Since the implementation of these improvements, the USPS has successfully blocked 1.3 million spurious messages from Internet service providers, including Google, Yahoo!, AOL, and Microsoft. This volume represents a daily average of 12,600 spoofed USPS email messages that did not reach consumers, protecting them from fraud and financial theft.







Forensic Laboratory Services (FLS) celebrated its 75th anniversary in January 2015 with a formal reception at the National Postal Museum in Washington, DC. Staff, former analysts, Inspectors, managers, members of the USPS and USPIS executive leadership team, and friends of the laboratory enjoyed an evening of reminiscence. In addition, the National Forensic Laboratory opened its doors for the day to educate USPS and Inspection Service employees, as well as the public, on its capabilities and mission.

The following are examples of key cases in which FLS has provided high-quality forensic services in support of the Inspection Service's investigative efforts.

### MARIJUANA SHIPMENT

In 2011, the Inspection Service seized two Priority Mail Express parcels at the Phoenix General Mail Facility. Two search warrants were obtained and approximately 40 pounds of marijuana were seized. Two FLS analysts confirmed the identification of marijuana and analyzed various fingerprints from the packaging to establish the suspect's involvement. In May 2015, the analysts testified during the suspect's trial. The results of their analysis, combined with their testimony, were central in helping the jury produce a guilty verdict for possession and transportation of marijuana for sale. The defendant in this case was sentenced to 3.5 years in prison.

### ILLEGAL ARMS SHIPMENT

In September 2014, a forensic latent print analyst examined a package used to ship an illegal silencer to agents participating in a joint USPIS/ATF undercover operation in Charlotte, NC. In October 2014, the analyst identified fingerprints inside the package. The first set of fingerprints was on the adhesive side of the tape used to secure the package. The analyst also found a second set of fingerprints on a .22 caliber cartridge box found inside the package. After comparing the developed prints to prints from the suspects, the analyst confirmed the identity of both suspects. In June 2015, one of the suspects pleaded guilty to illegally shipping firearms-related materials and was sentenced to 37-48 months. A second suspect has since entered a guilty plea.



## ALTERED MONEY ORDERS

Two suspects were caught in Miami fraudulently altering money orders. Several of the questionable money orders seized from the suspects were sent to the laboratory, where a questioned document examiner confirmed they had been altered. A forensic latent print analyst uncovered several fingerprints of one of the suspects. Confronted with this evidence, the suspects pleaded guilty in May 2015 to one count of conspiracy to commit bank fraud. One suspect was sentenced to 51 months imprisonment, while the other received a 21-month term. Both were ordered to pay restitution.

## STOLEN MONEY ORDERS

In March 2010, the Inspection Service was notified that approximately 200 money orders were missing from the Greenville, MS, Post Office. Over the next year, several of the money orders were cashed at various locations. Three suspects were developed and known handwriting samples were submitted to the laboratory for comparison to handwriting on the recovered money orders. A questioned document examiner identified the handwriting of one of the suspects on several of the money orders. This information was central in obtaining the suspect's guilty plea for possession of stolen USPS money orders. He was sentenced to 18 months imprisonment and \$39,000 in restitution.

## CHILD EXPLOITATION CASE SOLVED

A forensic computer analyst examined several computers recovered during the residential search of a former attorney and Little League baseball coach in Seattle, WA. During the examination, the analyst recovered various images and videos of the suspect abusing children. The suspect pleaded guilty to various charges and is now serving a combined state and federal sentence of 35 years.





The Inspection Service's National Training Academy — recognized by Federal Law Enforcement Training Accreditation (FLETA) — is a premier law enforcement educational facility.

The academy offers a 12-week course of basic training for candidate Postal Inspectors and an eight-week course for incoming Postal Police Officers. Postal Inspector candidates receive instruction on investigative techniques, defensive tactics, firearms, search and seizure, arrest and court procedures, postal operations, and the federal laws enforced by the Postal Inspection Service.

The academy also offers an in-service training program to develop and improve sworn employee skill sets. In 2015, the in-service training program offered a new, self-assessed Instructor Development Program, which complied with all 52 FLETA program standards.

In addition, the academy unveiled a revamped Assessment Center (AC) for Postal Inspector candidates. The new AC conducts pre-hire assessments of applicants using a panel interview, group exercise, in-box exercise, physical fitness assessment, and polygraph examination.

Recently, the academy launched a newly revised Executive Resources & Leadership Development (ERLD) program to provide executive leadership and employee development programs for Inspection Service employees. The new programs include a leadership academy, an executive mentoring program, and a revised leadership and employee development program.

In 2015, the academy assessed 454 pre-hire candidates. Of these, 69 new Postal Inspectors and 56 Postal Police Officers completed their training and graduated. The academy provided in-service training to 1,333 employees in classroom offerings and 3,266 employees online. The Leadership Academy accepted 40 participants consisting of Inspectors and forensic assistant directors into the ERLD program. Also, 440 Inspection Service employees were admitted into the Choose to LEAD or Choose to GROW developmental tracks.





In October 2014, the Inspection Service merged the National Law Enforcement Communications Centers (NLECC) and the Radio Communications Group (RCG) to form the NLECC/Radio Unit (NRU). The merger has unified oversight of emergency communications, increased operational efficiencies, and strengthened the ability to connect with customers.

Daily NRU operations include centralized monitoring of the Inspection Service radio communications network and all USPS-alarmed facilities. The NRU works with law enforcement to deliver criminal and intelligence data.

The NRU also provides after-hours emergency telephone coverage for Inspection Service field offices. This coverage helps make sure postal employees and customers receive the assistance and support they need at any time.

In 2015, NRU answered more than 169,000 telephone calls related to suspected crimes involving the U.S. Mail and USPS. Staff at the two NRU facilities also provided communications support for:

- 196 requests for confirmations of wanted suspects
- 11,494 NCIC criminal history checks
- 2,273 incidents involving suspicious powders, unknown substances, suspicious mail, and other suspicious item events
- 95 robberies
- 1,467 reports of unsecured facilities or mailboxes

The NRU oversees the Inspection Service radio network and is responsible for maintaining and upgrading all aspects of its infrastructure. The radio and data networks are merged at each NRU site, allowing the NRU to provide emergency communications response to Inspectors and Postal Police Officers. In addition, the radio network supports interoperable communications between Inspectors, Postal Police Officers, and other law enforcement agencies.



# INVESTIGATIVE STATISTICS > FY 2015

TYPES OF INVESTIGATION	CASES INITIATED	ARRESTS	CONVICTIONS
Assaults & Threats	566	211	149
Burglary	127	56	56
Child Exploitation	82	64	88
Mail Fraud	474	458	540
Mail Theft	1,400	2,357	2,048
Money Laundering Investigation	156	225	183
Nonmailable	75	82	63
Prohibited Mail Narcotics	2,560	1,898	1,785
Revenue Investigation	77	38	46
Robbery	96	69	68
Security & Crime Prevention	1,040	N/A	N/A
Suspicious Items	225	44	43
<b>Total</b>	<b>6,878</b>	<b>5,502</b>	<b>5,069</b>





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